

**PALM SPRINGS CEMETERY
DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2016**

PALM SPRINGS CEMETERY DISTRICT

OF RIVERSIDE COUNTY

CATHEDRAL CITY, CALIFORNIA

JUNE 30, 2016

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Jan Pye	Chairperson	June 2020
Lenny Pepper	Vice Chairperson	August 2018
John M. Lea	Member	June 2016
Lynn Mallotto	Treasurer	August 2018
Jane Alcumbrac	Member	August 2018

ADMINISTRATION

Kathleen Jurasky

Manager

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PALM SPRINGS CEMETERY DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Palm Springs Cemetery District
Cathedral City, California

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of Palm Springs Cemetery District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Palm Springs Cemetery District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RT DENNIS
ACCOUNTANCY

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Palm Springs Cemetery District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management’s discussion and analysis, budgetary comparison, and OPEB schedule on pages 5 through 11 and 37 through 39, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2017 on our consideration of Palm Springs Cemetery District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Palm Springs Cemetery District’s internal control over financial reporting and compliance.



R. J. Dennis Accountancy

January 11, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of Palm Springs Cemetery District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The District's net position increased over the course of this year's operations by almost \$448,000.
- ▶ During the year, the District's expenses were \$1.2 million, which was less than the \$1.6 million generated in taxes, sales, and other revenues. This is better than last year, when expenses exceeded revenues by almost \$15,000.
- ▶ The resources available for appropriation were \$25,235 more than budgeted for the general fund. However, we kept expenditures within spending limits primarily through a reduction in salaries, benefits and operational expenses.

OVERVIEW OF FINANCIAL STATEMENTS

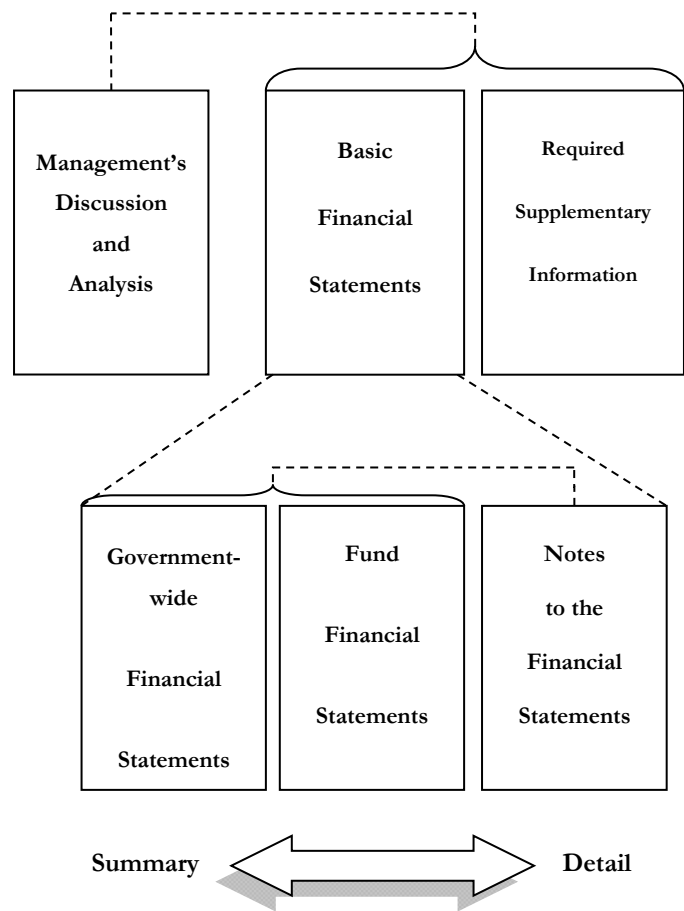
Components of the Financials Section

This annual report consists of four parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

Figure A-1
Required Components of Palm Springs Cemetery District’s Annual Financial Report

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District government, reporting the District’s operations in *more detail* than the government-wide statements.

– The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.



PALM SPRINGS CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 JUNE 30, 2016

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position increased slightly between fiscal years 2015 and 2016—to \$9.5 million. (See Table 1)

The net position of the District's governmental activities increased five percent. This was due to some cash and investment increase (due to better performance) and niche rehabilitation.

Table 1

	Governmental Activities						
	<i>(amounts in thousands)</i>		2016	2015	\$ Change	% Change	
ASSETS							
Current assets	\$	7,363	\$	3,525	\$	3,838	109%
Noncurrent assets, net		3,584		6,926		(3,342)	-48%
Total Assets		10,947		10,451		496	5%
LIABILITIES							
Current liabilities		66		70		(4)	-6%
Non-current liabilities		1,389		1,336		53	4%
Total Liabilities		1,455		1,406		49	3%
NET POSITION							
Net investment in capital assets		2,482		2,635		(153)	-6%
Restricted		3,990		4,039		(49)	-1%
Unrestricted		3,020		2,371		649	27%
Total Net Position	\$	9,492	\$	9,045	\$	447	5%

PALM SPRINGS CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2016

Changes in Net Position

Total revenues, were up from F/Y 2014-2015 due to increases in site sells, interments and property tax revenue was up \$14,327, which is 5% over prior year. Interest on Investments for F/Y 2015-2016 has begun to improve over the past 5 year's performance.

Total Expenses, were down by 1.0%, in F/Y 2015-2016 compared to F/Y 2014-2015 due to a decrease in salaries, benefits and other expenditures.

Table 2

	Governmental Activities			
	<i>(amounts in thousands)</i>		\$ Change	% Change
	2016	2015		
REVENUES				
Property taxes	\$ 289	\$ 275	\$ 14	5%
Charges for services	1,108	951	157	17%
Miscellaneous	219	(74)	293	396%
Total Revenues	1,616	1,152	464	40%
EXPENSES				
Salaries and benefits	442	478	(36)	-8%
Materials and services	548	482	66	14%
Other charges	185	207	(22)	-11%
Total Expenses	1,175	1,167	8	1%
Special items	6	-	6	n/a
Excess	\$ 447	\$ (15)	\$ 462	3080%

PALM SPRINGS CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Operating Fund:

- Revenues: Total Operating Income for the FY 2015/2016 was slightly higher than FY 2014/2015 due to an increase in interments.
 - The Board of Trustees voted in July 2016 to raise the District the schedule of charges 3%-5% for cemetery services over last year. The total revenue received from cemetery services increased by \$62,764. The number of services in the District increased by 5% from the level of activity in FY 2014/2015.
 - Property Tax revenue increased by \$14,327, or 5% over the F/Y 2014/2015 amount, which included \$9,527, received from payouts through the RDA dissolutions.

- Expenditures: Total expenditures for the year were managed closely despite unplanned expenses. Expenses were \$25,235 under budgeted levels despite spending on irrigation repairs, IT computer support/service, network fixes, and higher than planned travel costs for Trustees attendance at CAPC and CSDA conference.

Endowment Care Fund: At the end of the fiscal year the Endowment Care fund increased by \$291,994 to an ending balance of \$5,393,847, and represents an increase of 5% to the total fund. The increase was due to at-need and pre-need sales activity and interest earned on investments. Assigned funds in the amount of \$1,403,463 can be used to maintain the cemeteries.

Pre-need Fund: The Pre-Need fund was increased by \$123,541, to a total fund balance of \$817,917. This was the result of the sale in the amount of \$96,914 of pre-need services and the receipt of interest from investments. The general operating fund received \$36,302 from interment services that were used from the pre-need deferred revenue fund during the year.

Capital Outlay Fund: The Accumulative Capital Outlay (ACO) fund was increased by \$218,661 due to interment right sales, and that amount was added to the ACO fund account at Riverside County. Prior years investment of \$612,302, which are invested outside of the Riverside County Treasurer increased by \$31,637 to a total of \$643,938 for fiscal year end 2015-2016

PALM SPRINGS CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
JUNE 30, 2016

Capital Asset and Debt Administration

Capital Assets

At June 30, 2016, the District had a net decrease (including additions and deductions) of \$166 thousand from last year.

Table 3

	Governmental Activities				
	(amounts in thousands)	2016	2015	\$ Change	\$ Change
CAPITAL ASSETS					
Land and construction in progress	\$	226	\$ 232	\$ (6)	-3%
Buildings and equipment		4,278	4,252	26	1%
Accumulated depreciation		(2,022)	(1,836)	(186)	10%
Total Capital Assets	\$	2,482	\$ 2,648	\$ (166)	-6%

Long-Term Liability

At year-end the District had \$553,000 in other postemployment benefits ("OPEB"). More detailed information about the District's long-term liabilities is presented in Note 10 to the financial statements.

PALM SPRINGS CEMETERY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The number of interments in the District increase slightly from 260 in F/Y 2014/2015. A slight increase in the number of services to a total of 272 at the current schedule of charges resulted in a 5.0% increase in cemetery revenue. The revenue from interments in F/Y 2016/2017 is anticipated to be greater than F/Y 2015/2016. The overall schedule of charges for service provided by Palm Springs Cemetery District will increase 3%-5% in F/Y 2016/2017, which will assist in offsetting the increase in operational expenses.

The property tax revenue for 2015/2016 is budgeted slightly lower than the actual revenues from F/Y 2014/2015, the actual revenue for 2015/2016 was \$5,734 higher than budgeted. Recent data on property sales, State Tax Revenue reports, and Riverside County Treasury reports indicate an improving trend for property tax revenues. However, tax revenues continue to be at risk due to the current State of California Budgeting process. Revenues from investments are expected to be only slightly better than F/Y 2015/16 as the economy, while growing slightly, does not offer much growth in conservative investments such as CD's and Bonds. However, interest rates are expected to increase in the upcoming years.

Capital Projects for F/Y 2016/2017:

Tamarisk Trees removal and block wall installation project with an estimated cost of \$475,993, part of which will be funded by a \$85,000 grant from the Coachella Valley Mountain Conservancy.

Repairs to Well #2 will include a submersible pump, motor and variable frequency drive (VFD), estimated costs are \$49,865.

To continue cemetery beautification, repairs, cleaning and polishing of all cremation niches at Desert Memorial Park will be done at a cost of \$28,704. District will spend an estimated \$91,233 for the purchase two (2) new dump trucks to replace the 1994 and 1995 trucks that are constantly in need of repairs.

Funds to cover the expense for these expenditures are coming from the accumulated capital outlay (ACO) fund.

The District's outreach within the cities and communities in the district will continue through activities involving the Chambers of Commerce, and work with other organizations and non-profits.

Management team focus will on implementing a new Cemetery Management Software System, an advertising campaign and adding new interments sections at Desert Memorial Park in F/Y 2016/2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for money it receives. If you have any questions about this report, or need additional financial information, contact Palm Springs Cemetery District office at 31-705 Da Vall Drive, Cathedral City, CA 92234.

PALM SPRINGS CEMETERY DISTRICT

GOVERNMENTAL FUNDS & STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Pre-Need Fund	ACO Fund
ASSETS			
Cash and cash equivalents	\$ 180,445	\$ 1,567,400	\$ 1,120,362
Accrued receivables	7,694	86,449	685
Due from other funds	-	-	171,730
Investments	-	-	108,768
Nondepreciable capital assets	-	-	-
Depreciable capital assets, net	-	-	-
Total Assets	\$ 188,139	\$ 1,653,849	\$ 1,401,545
LIABILITIES			
Accrued liabilities	\$ 66,196	\$ -	\$ -
Due to other funds	171,730	-	-
Unearned revenue	-	835,932	-
Long-term liabilities	-	-	-
Total Liabilities	237,926	835,932	-
FUND BALANCES / NET POSITION			
Fund balance			
Non-spendable	900	-	-
Spendable			
Assigned	-	817,917	1,401,545
Unassigned - (Deficit)	(50,687)	-	-
Net position			
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
Total Fund Balances / Net Position	(49,787)	817,917	1,401,545
Total Liabilities and Fund Balances / Net Position	\$ 188,139	\$ 1,653,849	\$ 1,401,545

The accompanying notes are an integral part of these financial statements

Endowment Care Fund	Total Governmental Funds	Adjustments Note 2 A.	Statement of Net Position
\$ 4,396,908	\$ 7,265,115	\$ -	\$ 7,265,115
3,494	98,322	-	98,322
-	171,730	(171,730)	-
993,445	1,102,213	-	1,102,213
-	-	225,654	225,654
-	-	2,256,571	2,256,571
\$ 5,393,847	\$ 8,637,380	\$ 2,310,495	\$ 10,947,875
\$ -	\$ 66,196	\$ -	\$ 66,196
-	171,730	(171,730)	-
-	835,932	-	835,932
-	-	553,075	553,075
-	1,073,858	381,345	1,455,203
3,990,384	3,991,284	(3,991,284)	-
1,403,463	3,622,925	(3,622,925)	-
-	(50,687)	50,687	-
-	-	2,482,225	2,482,225
-	-	3,990,384	3,990,384
-	-	3,020,063	3,020,063
5,393,847	7,563,522	1,929,150	9,492,672
\$ 5,393,847	\$ 8,637,380	\$ 2,310,495	\$ 10,947,875

PALM SPRINGS CEMETERY DISTRICT

**GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE & STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Pre-Need Fund	ACO Fund
REVENUES			
Property taxes	\$ 289,131	\$ -	\$ -
Charges for services	595,273	126,050	214,232
Revenue from use of money	61,077	28,286	10,183
Miscellaneous	140	-	-
Total Revenues	945,621	154,336	224,415
EXPENDITURES			
Current			
Salaries	320,669	-	-
Benefits	127,804	-	-
Materials and supplies	49,581	-	-
Services	488,621	9,335	488
Depreciation	-	-	-
Capital outlay	-	-	25,644
Total Expenditures	986,675	9,335	26,132
Excess (Deficiency) of Revenues			
Over Expenditures	(41,054)	145,001	198,283
OTHER FINANCING SOURCES (USES)			
Transfers In	1,082	-	20,378
Transfers Out	-	(21,460)	-
Special items	-	-	-
Net Financing Sources (Uses)	1,082	(21,460)	20,378
NET CHANGE IN FUND BALANCE			
/ NET POSITION	(39,972)	123,541	218,661
Fund Balance - Beginning	(9,815)	694,376	1,182,884
Fund Balance - Ending	\$ (49,787)	\$ 817,917	\$ 1,401,545

The accompanying notes are an integral part of these financial statements

Endowment Care Fund	Total Governmental Funds	Adjustments Note 2 B.	Statement of Activities
\$ -	\$ 289,131	\$ -	\$ 289,131
172,664	1,108,219	-	1,108,219
119,345	218,891	-	218,891
-	140	-	140
292,009	1,616,381	-	1,616,381
-	320,669	-	320,669
-	127,804	(6,701)	121,103
-	49,581	-	49,581
15	498,459	-	498,459
-	-	185,185	185,185
-	25,644	(25,644)	-
15	1,022,157	152,840	1,174,997
291,994	594,224	(152,840)	441,384
-	21,460	(21,460)	-
-	(21,460)	21,460	-
-	-	6,401	6,401
-	-	6,401	6,401
291,994	594,224	(146,439)	447,785
5,101,853	6,969,298	2,075,589	9,044,887
\$ 5,393,847	\$ 7,563,522	\$ 1,929,150	\$ 9,492,672

PALM SPRINGS CEMETERY DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 - A. Financial Reporting Entity

The District was established in 1917, under the laws of the State of California, by way of acquiring the Welwood Murray Cemetery, which was started in 1894. In 1957, Desert Memorial Park was opened. The District operates under an appointed five-member Board form of government, each board member term is four years. The District provides burial services to the residents of Palm Springs, North Palm Springs, Desert Hot Springs, Sky Valley, Thousand Palms, Cathedral City, and most of Rancho Mirage. The District operates two cemeteries, Desert Memorial Park in Cathedral City and Welwood Murray in Palm Springs.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For Palm Springs Cemetery District, this includes general operations, pre-need, capital projects and endowment activities of the District.

1 - B. Component Unit

The accompanying government-wide financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity* in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a Voting majority of the organization's governing body and either (1) the District's ability to impose its will *over* the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units this year.

1 - C. Other Related Entities

Joint Powers Authority (JPA). The District is associated with a JPA, the Special District Risk Management Authority (“SDRMA”). This organizations does not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 11 to the financial statements.

1 - D. Basis of Presentation

Combined Presentation. The District is a special-purpose governments engaged in a single governmental program (cemetery district). The accounting standards allow these kinds of governments to employ alternative forms of presentation that involve combining the government-wide and fund financial statements using a columnar format that reconciles the two kinds of financial data in a separate column on each statement.

Government-Wide Statements. The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. The government-wide statements provide information about the primary government (the District) and its component units. Eliminations have been made to minimize the double counting of internal activities.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

Fund Financial Statements. The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. *Governmental funds* are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include burial services, pre-need reservations, capital projects and endowment activity.

Major Governmental Funds

General Fund. The general fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of a District's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. A District may have only one general fund.

Pre-Need Fund is established to account for the proceeds from pre-need services (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of pre-need activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Accumulated Capital Outlay ("ACO") Fund. Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Internment rights fees/charges are deposited into this fund.

Endowment Care (Permanent) Fund. The Endowment Care Fund is used to account for resources received from endowment fees collected pursuant to Health and Safety Code Section 9065 that are restricted to the extent that earnings, but not principal, may be used for purposes that support the upkeep of the District's grounds.

1 - E. Basis of Accounting

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Governmental Funds. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Property taxes are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

Revenues – Exchange and Non-Exchange Transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

Property taxes are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met.

The tax calendar is as follows:

- ❖ July 1 - Beginning of the fiscal year and delinquent Secured property taxes DEFAULT and begin accruing additional penalties of 1 ½% per month and a redemption fee.
- ❖ July - Treasurer-Tax Collector mails out Unsecured property tax bills.
- ❖ August/September - Treasurer-Tax Collector mails out Prior Year Secured property tax bills.
- ❖ August 31 - Unsecured property tax delinquent date. A 10% penalty is added after 5:00 p.m.*
- ❖ October - Treasurer-Tax Collector mails out Current Year Secured property tax bills.
- ❖ November 1 - First installment is due (Current Secured property tax) and delinquent Current Year Unsecured taxes begin accruing additional penalties of 1½% per month.
- ❖ December 10 - First installment payment delinquent date (Current Secured property tax). A 10% penalty is added after 5:00 p.m.*
- ❖ January 1 - Lien date for the establishment of ownership, value and unsecured taxes for the ensuing fiscal year.
- ❖ February 1 - Second installment is due (Current Secured property tax).
- ❖ April 10 - Second installment payment delinquent date (Current Secured property tax). A 10% penalty and cost is added after 5:00 p.m.*
- ❖ May - Treasurer-Tax Collector mails delinquent notices for any unpaid, Current Year Secured property taxes.

* If a delinquent date falls on a Saturday, Sunday or County Holiday, the delinquent date is the next business day.

The County of Riverside bills and collects the taxes on behalf of the District. The District recognizes property tax revenues actually received as reported by the County Auditor Controller.

Unearned Revenue. Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Pre-Need cash received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue. As of June 30, 2016, the balance of unearned revenue was \$835,932.

Expenses/Expenditures. On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

1 - F. Assets, Liabilities, and Net Position

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Some short-term cash surpluses are maintained in the county cash and investments pool, the earnings from which are allocated to each fund based on month-end deposit and investment balances.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized. Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10 – 30
Site Improvements	50 – 20
Equipment	5 – 20

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2016

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Assigned - The assigned fund balance classification reflects amounts that the government intends to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the general fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the general fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net Position represent the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2016. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The district-wide financial statements report \$3,990,384 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

Budgetary Data

The budgetary process is prescribed by provisions of the California Government Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

1 - G. New Accounting Pronouncements

In June of 2015, the GASB issued Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The primary objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of these standards are fiscal year beginning after June 15, 2016.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2016

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues, An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

1 - H. Change in Accounting Policy

In previous years the District has reported the governmental fund types (which is under the modified basis of accounting) as governmental activities (which is under the full accrual basis of accounting). The effect of this error was not reporting the governmental funds on the modified accrual basis of accounting, with a series of "conversion entries" to reconcile the two different bases of accounting. This year, the District has reported the governmental funds as modified accrual with an adjustment column (containing the conversion entries) to total to the governmental activities. The conversion entries are explained in Note 2.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

NOTE 2 – EXPLANATION OF DIFFERENCES BETWEEN THE FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE STATEMENTS

2 - A. Governmental Funds Balance Sheet and Statement of Net Assets

Total Fund Balance - Governmental Funds \$ 7,563,522

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

	Capital assets	4,503,731	
	Accumulated depreciation	(2,021,506)	2,482,225

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

	Net OPEB obligation	(553,075)	
Total Net Position - Governmental Activities		\$	9,492,672

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

2 - B. Governmental Funds Operating Statements and the Statement of Activities

Net Change in Fund Balances - Governmental Funds \$ 594,224

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

	Expenditures for capital outlay:	25,644	
	Depreciation expense:	(185,185)	(159,541)

Postemployment benefits other than pensions ("OPEB"):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

6,701

Cost write-off for canceled capital projects:

If a planned capital project is canceled and will not be completed, costs previously capitalized as Work-in-progress must be written off to expense.

Costs written off for canceled projects were: 6,401

Change in net position of Governmental Activities \$ 447,785

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS

3 - A. Summary of Deposits and Investments

	Governmental Activities
Cash on hand	\$ 900
Deposits in financial institutions	81,026
Cash in County	2,346,560
Money market / mutual funds	4,836,629
Investments	1,102,213
Total	\$ 8,367,328

3 - B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations; the Riverside County Investment Pool.

3 - C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

Below is a listing of allowable investment instruments per Government Code §§16340, 16429.1, 53601, 53601.8, 53635, 53635.2, 53635.8, and 53638; applicable to all local agencies.

INVESTMENT TYPE	MAXIMUM MATURITY	MAXIMUM SPECIFIED% OF PORTFOLIO	MINIMUM QUALITY REQUIREMENTS
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations— CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S Agency Obligations	5 years	None	None
Bankers’ Acceptances	180 days	40%E	None
Commercial Paper— Select Agencies	270 days	25% of the agency’s money	“A-1” to “A”
Commercial Paper— Other Agencies	270 days	40% of the agency’s money	“A-1” to “A”
Negotiable Certificates of Deposit	5 years	30%	None
Placement Service Deposits	5 years	30%	None
Placement Service Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None
Medium-Term Notes	5 years	30%	“A”
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	“A”
Bank/Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None

3 - D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool. See “Specific Identification” for various maturities of the District’s investments.

3 - E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The underlying investments owned by the district are listed in “Specific Identification.”

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

3 - F. Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investments by maturity:

<u>Investment Type:</u>	<u>S & P Rating</u>	<u>Maturity</u>	<u>Reported Value</u>	<u>Fair Market Value</u>
Cash in county	Aaa-bf	1.15 years	\$ 2,346,560	\$ 2,350,080
Money market / mutual funds	NA	1 day	\$ 4,836,629	\$ 4,836,629
Investments:				
Negotiable CDs	FDIC	22 - 148 months	\$ 952,198	\$ 952,198
Medium term Notes	BBB+	73 months	150,015	150,015
Total Investments			\$ 1,102,213	\$ 1,102,213

Medium term notes are in violation of the investment General Authorization due to the security rating is below "A" and exceeding the allowable maturity of sixty months. The District will divest of the violating investments.

3 - G. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does **not** have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance of \$150,772 was insured.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

NOTE 4 – ACCRUED RECEIVABLES

All receivables are considered collectible in full, as of June 30, 2016, the accrued receivables consisted of the following:

	General Fund	Pre-Need Fund	ACO Fund	Endowment Care Fund	Total Govt. Activities
Taxes receivable	\$ 7,478	\$ -	\$ -	\$ -	\$ 7,478
Interest receivable	85	683	685	3,494	4,947
Security deposits receivable	131	-	-	-	131
Contracts receivable	-	85,766	-	-	85,766
Total	\$ 7,694	\$ 86,449	\$ 685	\$ 3,494	\$ 98,322

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 141,476	\$ -	\$ -	\$ 141,476
Land improvements	84,178	-	-	84,178
Construction in progress	6,045	-	6,045	-
Non-Depreciable Capital Assets	\$ 231,699	\$ -	\$ 6,045	\$ 225,654
Capital assets being depreciated				
Land improvements	\$ 2,207,475	\$ 25,644	\$ -	\$ 2,233,119
Buildings & improvements	1,812,760	-	-	1,812,760
Furniture & equipment	232,198	-	-	232,198
Total Capital Assets Being Depreciated	4,252,433	25,644	-	4,278,077
Less Accumulated Depreciation				
Land improvements	1,439,365	119,941	-	1,559,306
Buildings & improvements	206,717	58,579	-	265,296
Furniture & equipment	190,239	6,665	-	196,904
Total Accumulated Depreciation	1,836,321	185,185	-	2,021,506
Depreciable Capital Assets, net	\$ 2,416,112	\$ (159,541)	\$ -	\$ 2,256,571
Total Capital Assets, net	\$ 2,647,811	\$ (159,541)	\$ 6,045	\$ 2,482,225

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
 JUNE 30, 2016

NOTE 6 – INTERFUND TRANSACTIONS

6 - A. Interfund Receivables/Payables (Due From/Due To)

Due To Other Funds	<u>Due From Other Funds ACO Fund</u>
General Fund	\$ 171,730

The General Fund borrowed from the Capital Outlay Fund for cash-flow purposes an amount of \$ 171,730

6 - B. Interfund Transfers

Transfer To Other Funds	<u>Interfund Transfers In</u>		
	General Fund	ACO Fund	Total
Pre-Need Fund	\$ 1,082	\$ 20,378	\$ 21,460

The Pre-Need transferred to the Capital Projects Fund at need services, in the amount of \$ 20,378
 The Pre-Need Fund transferred to the General Fund for capital project payment in the amount of 1,082
Total \$ 21,460

NOTE 7 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016, consisted of the following:

	<u>General Fund</u>
Payroll related	\$ 8,270
Compensated absences	10,189
Vendors payable	32,524
County of Riverside imprest balanc	14,400
Sales tax payable	813
Total	\$ 66,196

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

NOTE 8 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Pre-Need Fund	ACO Fund	Endowment Care Fund	Total Govt Funds
Non-spendable					
Non-restricted					
Reserve for revolving cash	\$ 900	\$ -	\$ -		\$ 900
Restricted, Permanent Fund Balance	-	-	-	3,990,384	3,990,384
Total Nonspendable	900	-	-	3,990,384	3,991,284
Spendable					
Assigned					
Endowment care interest/earnings	-	-	-	1,403,463	1,403,463
Capital projects	-	-	1,401,545	-	1,401,545
Pre-need	-	817,917	-	-	817,917
Total Assigned	-	817,917	1,401,545	1,403,463	3,622,925
Unassigned - (Deficit)	(50,687)	-	-	-	(50,687)
Total Unassigned	(50,687)	-	-	-	(50,687)
Total	\$ (49,787)	\$ 817,917	\$ 1,401,545	\$ 5,393,847	\$ 7,563,522

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy imply’s a reserve (from both the General Fund and ACO Fund), consisting of unassigned and assigned amounts, equal to no less than two months of General Fund operating expenditures, or 17 percent of General Fund expenditures and other financing uses.

NOTE 9 – RETIREMENT PLANS

The District sponsors a 403(b) and a SEP retirement plan. The plans are for full-time employees after one year of service. The contribution amount by the District is seven percent of annual gross salary. The contribution to the plans for the year ended June 30, 2016 was \$18,224.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN AND OTHER POST EMPLOYMENT BENEFITS (OPEB)

10 - A. Plan Description

The Postemployment Benefit Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the Palm Springs Cemetery District. The Plan offers the following benefits by bargaining unit:

	<u>Management</u>
Benefit types provided	Medical only
Duration of Benefits	Lifetime
Required Service	1 year*
Minimum Age	None
Dependent Coverage	Yes
District Contribution %	100%
District Cap	Composite medical rate

*full time service in the year preceding retirement

**Employees retiring prior to age 55 are entitled to 50% of the cap for a maximum of five years

10 - B. Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and District’s bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016, the District contributed \$6,701 to the Plan, all of which was used for current premiums.

10 - C. Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$	63,094
Interest on net OPEB obligation		22,391
Adjustment to annual required contribution		(85,485)
<hr/>		
Annual OPEB cost (expense)		-
<hr/>		
Contributions made		(6,701)
Increase in net OPEB obligation		(6,701)
Net OPEB obligation, beginning of the year		559,776
<hr/>		
Net OPEB obligation, end of the year	\$	553,075

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued
JUNE 30, 2016

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 is as follows:

<u>Fiscal Year</u>	<u>Annual OPEB COST</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2015-16	-	0%	553,075

10 - D. Funded Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the plan was not funded. This results in an unfunded actuarial accrued liability (UAAL) of \$553,075. The covered payroll (annual payroll of active employees covered by the plan) was \$273,509.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

10 - E. Actuarial Methods and Assumptions

Projections and benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, the “projected unit credit” actuarial cost method was used. The actuarial assumptions included an inflation rate of five percent per year; a four percent investment return on plan assets. For medical costs a five to eight percent trend rate was used based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. A projected unit credit method was used to allocate amortization cost by year. Because the entire amount was accrued, there is no amortization period.

PALM SPRINGS CEMETERY DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2016

NOTE 11 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of one JPAs, SDRMA. SDRMA provides property and liability as well as workers' compensation insurance. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these financial statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2016, the District made payments of \$23,140 to SDRMA.

NOTE 12 – LAND LEASE

On May 14, 1998, (subsequently extended to commence July 14, 1999) the District entered into an agreement to lease forty acres of land to Da Vall Center, LLC a California Limited Liability Company for sixty-five years with a twenty-five year option.

Guaranteed minimum rent is as follows:

- ❖ 1st eighteen months Legal fees to review lease (estimated at \$2,500)
- ❖ 2nd eighteen months \$15,000
- ❖ 4th and 5th year \$30,000 annually
- ❖ 6th and 7th year \$40,000 annually
- ❖ 8th year and thereafter \$55,620 annually

Land lease income amounted to \$60,737 for the year ended June 30, 2016. The lease provides for CPI adjustments: upward at the end of fifteen years and upward or downward at the end of each ten-year period thereafter.

NOTE 13 – SUBSEQUENT EVENTS

13 - A. Promissory Note

On November, 10 2016, the District issued an unsecured drawdown promissory note to the Pet Memorial Park Cemetery ("Pet Cemetery"), up to an amount of \$25,000 (drawdown in \$5,000 increments) to the Palm Springs Pet Cemetery, a potential component unit of the District. The note matures on November 10, 2021, and an interest rate of 1.0% in the first year, up to the average rate of return on District's investments, subsequently. The note was issued to provide start-up capital to the Pet Cemetery. Repayment requirements are that a principal and interest be made annually on November 10.

13 - B. Lease Agreement

On November 10, 2016 the District entered into a lease with the Pet Cemetery, where the District is leasing some of its facilities and land to the Pet Cemetery at an amount of \$1.00 per year, for a period of ten years, but may be extended to five additional years.

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REQUIRED SUPPLEMENTARY INFORMATION

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PALM SPRINGS CEMETERY DISTRICT

GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variances -
	Original	Final	Actual	Positive / (Negative)
REVENUES				Final to Actual
Property taxes	\$ 269,070	\$ 269,070	\$ 289,131	\$ 20,061
Charges for services	534,535	534,535	595,273	60,738
Revenue from use of money	60,872	60,872	61,077	205
Miscellaneous	-	-	140	140
Total Revenues	864,477	864,477	945,621	81,144
EXPENDITURES				
Current				
Salaries	307,830	307,830	320,669	(12,839)
Benefits	152,469	152,469	127,804	24,665
Materials and supplies	52,495	52,495	49,581	2,914
Services	485,104	485,104	488,621	(3,517)
Total Expenditures	997,898	997,898	986,675	11,223
Excess (Deficiency) of Revenues				
Over Expenditures	(133,421)	(133,421)	(41,054)	92,367
Other Financing Sources (Uses):				
Transfers In	60,000	60,000	1,082	(58,918)
NET CHANGE IN FUND BALANCE	(73,421)	(73,421)	(39,972)	33,449
Fund Balance - Beginning	(9,815)	(9,815)	(9,815)	
Fund Balance - Ending	\$ (83,236)	\$ (83,236)	\$ (49,787)	\$ 33,449

PALM SPRINGS CEMETERY DISTRICT

PRE-NEED FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variances -
	Original	Final	Actual	Positive / (Negative)
REVENUES				Final to Actual
Charges for services	\$ -	\$ -	\$ 126,050	\$ 126,050
Revenue from use of money	-	-	28,286	28,286
Total Revenues	-	-	154,336	154,336
EXPENDITURES				
Current				
Services	-	-	9,335	(9,335)
Excess (Deficiency) of Revenues				
Over Expenditures	-	-	145,001	145,001
Other Financing Sources (Uses):				
Transfers Out	-	-	(21,460)	(21,460)
NET CHANGE IN FUND BALANCE	-	-	123,541	123,541
Fund Balance - Beginning	694,376	694,376	694,376	
Fund Balance - Ending	\$ 694,376	\$ 694,376	\$ 817,917	\$ 123,541

PALM SPRINGS CEMETERY DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) FUNDING PROGRESS AND
 EMPLOYER CONTRIBUTION
 FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Valuation of Plan Assets (a)	Actuarial Accrued Liability ("AAL") - Projected Unit Credit (b)	Unfunded ALL ("UAAL") (b - a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
7/1/2015	\$ -	\$ 559,776	\$ 559,776	\$ -	\$ 273,509	205%

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OTHER INDEPENDENT AUDITORS' REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Palm Springs Cemetery District
Cathedral City, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Palm Springs Cemetery District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Palm Springs Cemetery District's basic financial statements, and have issued our report thereon dated January 11, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Palm Springs Cemetery District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Palm Springs Cemetery District's internal control. Accordingly, we do not express an opinion on the effectiveness of Palm Springs Cemetery District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

RT DENNIS
ACCOUNTANCY

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Palm Springs Cemetery District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "R. J. Dennis Accountancy". The signature is written in a cursive style and is positioned above a large, decorative flourish that loops under the name.

January 11, 2017

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